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A man using an ATM in New York City in October 1983. (Barbara Alper via Getty Images)

What the Hell Happened to PayPal?

In 1998, the payments app was created to empower individuals. Today, it's a cornerstone of our emerging social-credit system.

By Rupa Subramanya

Tuesday, Dec 13, 2022

To our veteran subscribers—and to our many newcomers—welcome, again, to The Free Press (formerly Common Sense). We're so excited you're here. Please check out our new website for many more stories by today's author, Rupa Subramanya, and so many others.

And thank you so much for making our work possible. — BW

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One by one, they go to start their business day only to find a baffling message from their payments app informing them: "You can no longer do business with PayPal."

There is little or no explanation. They have somehow offended the sensibilities of someone somewhere deep inside the bureaucracy.

They are simply told via an email from PayPal's Risk and Compliance Department that, after an internal review, "we decided to permanently limit your account as there was a change in your business model or your business model was considered risky."

In case there is any doubt, the email adds: "You'll not be able to conduct any further business using PayPal."

Then, toward the bottom: "If you have funds in your PayPal balance, we'll hold it for up to 180 days. After that period, we'll email you with information on how to access your funds."

If you're one of the lucky ones and your account has just been suspended, you can go to customer service, explain your situation and hope that someone gets back to you. If you've been banned, you'll need an attorney to file a subpoena for the internal PayPal documents—simply to learn why you've been banned. (Good luck getting unbanned.)

These are entrepreneurs, writers, academics, activists—the very same people PayPal, whose mission is "democratizing financial services," was meant to empower.

PayPal won't say how many of them it has suspended or banned. In June 2021, the Electronic Frontier Foundation and other civil-liberties groups wrote a letter to PayPal and Venmo, calling on them to open up. So far, they have not, said Aaron Terr, director of public advocacy at the Foundation for Individual Rights and Expression.

The people who founded PayPal—the so-called PayPal Mafia—include Peter Thiel, Elon Musk, David Sacks and Max Levchin. All are champions of free

speech. All have expressed shock and dismay at what is happening to the company they created. Several founders agreed to talk with The Free Press for this article.

“If the online forms of your money are frozen, that’s like destroying people economically, limiting their ability to exercise their political voice,” Thiel told me. “There’s something about destroying people economically that seems like a far more totalitarian thing.”

When they launched PayPal, in December 1998, the founders imagined themselves connecting people to the global economy by sidestepping the hefty fees charged by credit-card companies and the inflationary policies of poorly run governments. Early PayPal users had Palm Pilots, and they would beam money from their devices to anyone with an email address. It was especially popular among eBay users.

“PayPal will give citizens worldwide more direct control over their currencies than they ever had before,” Thiel said at a company meeting, in late 1999. “It will be nearly impossible for corrupt governments to steal wealth from their people through their old means, because if they try the people will switch to dollars or pounds or yen, in effect, dumping the worthless local currency for something more secure.”

Since those early heady days, PayPal has amassed 429 million active accounts. Fifty-eight percent of Americans use PayPal, and in 2021, there were 19.3 billion PayPal transactions. It now has a market valuation of $84 billion.

But the company that was meant to liberate countless individuals is becoming something else.

Increasingly, it is becoming a police officer. It is deciding what is right and wrong, who gets to be heard, who is silenced. It is locking out of the financial system those people or brands that have slipped outside the parameters of acceptable discourse, those who threaten the consensus of the gatekeepers. The consensus is hard to articulate; it is an ideology lacking clearly defined ideological contours. But the tenets of that consensus are unmistakable: the new progressive politics around race and gender are a force for good, the Covid lockdown was just, the war in Ukraine is noble, and an unfettered exchange of ideas and opinions is an unacceptable threat to all of the above.

One of the people who apparently posed an unacceptable threat was Eric Finman.

On July 18, 2021, Finman, 24, a Bitcoin investor and entrepreneur, woke up to learn that PayPal had declared war on the startup he'd launched four days before.

The idea of Finman's startup, Freedom Phone—basically a rejiggered Android with an American flag on it—was to give individuals access to whatever app they wanted.

Apple's App Store frequently bans apps—like Metadata+, which notifies users every time the United States conducts a drone strike in Pakistan, Yemen and Somalia. By contrast, Freedom Phone's app store lets anyone download anything. That includes Parler, the far-right social-media

platform the App Store temporarily suspended, and Twitter, which the App Store recently threatened to kick out.

Apparently, that didn't sit right with PayPal, which banned Freedom Phone permanently from the app. (This came days after Shopify and Amazon Pay did the same.) "I just felt my stomach completely and utterly *drop*," Finman messaged me.

To add insult to injury, PayPal held up $1.2 million in payments to Finman's company. Eventually, Finman got his money, but the delay, he said, "killed all the momentum."

Or consider Colin Wright.

The evolutionary biologist received his Ph.D. from U.C. Santa Barbara in 2018 and writes critically about gender ideology.

In June, he was kicked off PayPal—and, soon after, Etsy, where he sold t-shirts and mugs promoting his newsletter. PayPal told Wright that, if he wanted to know why he'd been ejected, "an attorney or law enforcement officer must submit a legal subpoena."

"A lot of activists have tried to cancel me, and that's just because I talk a lot about the sex and gender debate," Wright told me. Since these activists, Wright said, "don't really have a good response, they just try to make it so that everyone who has good arguments isn't able to make a living by talking about it."

Then there's British journalist Toby Young.

Young is the founder of the Free Speech Union, an advocacy group, and the editor-in-chief of the Daily Skeptic, which has questioned the efficacy of Covid vaccines.

On September 15, 2022, PayPal informed Young that his personal account had been suspended. A few minutes later, he learned the Daily Skeptic's account had also been shut down. A few minutes after *that*, he learned the Free Speech Union's account was defunct.

In under a half-hour, he'd been cut off from the financial-services world.

"I was appalled when I discovered PayPal had suspended my accounts," Young told me. "The authoritarian, social-credit system developed in China was now being implemented in the West, except instead of ideological compliance being enforced by the Chinese Communist Party, it was being policed by a woke capitalist corporation."

Other recently suspended PayPal accounts include Gays Against Groomers, which opposes "the sexualization, indoctrination and medicalization" of children; and UsForThem, and Law or Fiction—both U.K.-based groups that opposed the British government's response to Covid, including school closures and mandatory masking. PayPal has also suspended the accounts of the anti-establishment site ConsortiumNews, which has criticized U.S. involvement in the Ukraine war; and several alt-right and Stop the Steal activists.

Nor do you just bounce back from being shut out. Wright said it takes years to build a core audience—the people who click on the recurring-payment box on your PayPal account. "When PayPal cancels that, it's not like I can just bring those 200 people to another payment processor," he messaged

me. “Those are cut off permanently. Maybe I can send them all an email and ask people to sign up elsewhere, but there’s gonna be a major, major major drop off because people have to whip out their credit cards again on a whole new system.”

Nobody outside PayPal really knows how this process works. There is no clear cause and effect. The likeliest scenario involves a user posting something deemed problematic on a social-media platform, and an activist or PayPal employee flagging this, and then, without warning, PayPal shutting down the account.

When I asked a PayPal spokesperson about the company’s suspension policy, she emailed me: “PayPal has and will continue to enable free speech and expression, while appropriately protecting our customers and platform from fraud, counterfeiting and other illicit activities.”

To make sure none of the haters fall through the cracks, PayPal has teamed up with the Anti-Defamation League (ADL) and Southern Poverty Law Center—which has labeled as “extreme” the Family Research Council, a conservative activist group; Charles Murray, a political scientist best known for co-authoring the controversial 1994 book *The Bell Curve*; and Ayaan Hirsi Ali, a Somali-born critic of Islam and supporter of women’s rights, among many others.

The collaboration features a research initiative that examines how extremists in the United States use financial platforms to fund their activities; the results are to be disseminated throughout the financial-services industry and shared with policymakers and law enforcement.

Civil-liberties groups decry the lack of transparency. “This lack of due process has a disproportionate impact on marginalized communities, including people of color and religious minorities,” the Electronic Frontier Foundation letter, addressed to PayPal CEO Dan Schulman and other PayPal executives, stated.

Making matters worse is PayPal’s recently updated Acceptable Use Policy—which clears the way for even more suspensions, bans and fines. The policy, released in October, prohibits all “objectionable” activity, warning that violators face a $2,500 penalty. As with PayPal and the ADL’s war on “hate,” there’s very little clarity. Anyone whose politics, language or tone offends the powers that be could be labeled “objectionable.”

David Marcus, a former PayPal president, tweeted that the new policy “goes against everything I believe in. A private company now gets to decide to take your money if you say something they disagree with. Insanity.” Elon Musk replied, “Agreed.”

Finally, there’s Dan Schulman—poster child for stakeholder capitalism, who has been CEO since 2014. In January of this year, Schulman, while speaking at the World Economic Forum, was fuzzy when it came to defining the boundaries of free expression. “The difficult part there is identifying what is hatred and what is freedom of speech,” Schulman said. “Nobody teaches you that.”

Schulman, as one Silicon Valley insider put it, was a member of the “professional management class”—impeccable credentials (Middlebury, Harvard MBA), years of experience in publicly traded companies (American Express, Sprint, AT&T), and tons of accolades (the New York Urban League’s Frederick Douglass Award, Robert F. Kennedy Human

Rights' Ripple of Hope Award, the Fortune list of World's Greatest Leaders and Fast Company's Top 100 Creative People, among others).

"The CEO has got like every woke award you can win," David Sacks, the company's first chief operating officer, told me, referring to Schulman. "It's a symbiotic relationship—he implements their agenda, and, in exchange, they give him awards, and that furthers advancement up the corporate totem pole of woke capitalism."

The question was: How had this happened?

How had PayPal—birthed in the fertile crescent of innovation, the old Silicon Valley of web 1.0—become . . . *this?* How had this company, which had been all about liberating the individual, become a pillar of our emerging social-credit system?

Eric Jackson, who was interim vice president of U.S. marketing in the early days, said: "PayPal's founding vision was to empower people and give them more control and freedom. The company today is so far afield from that founding vision. It's clear that it views its role as moderating what people can think, say and do. It is completely at odds with the vision that Peter Thiel and Max Levchin created for the company. As a part of the old PayPal team, it makes me really sad. Because we were trying to build something that enhanced freedom and protected people. Now, we're seeing people act in a diametrically opposed manner to that."

Jimmy Soni, the author of *The Founders: The Story of PayPal and the Entrepreneurs Who Shaped Silicon Valley*, emailed me that yes, PayPal's vision was "informed by libertarianism," but in the early 2000's, amidst the collapse of the dot-com bubble, "the goal was simply to keep it alive, especially as so many other start-ups were going under in '00 and '01."

The first inflection point, the old guard agreed, was September 11, 2001 and the federal government's response to the terrorist attacks—including adoption of the Patriot Act.

Among other things, the Patriot Act imposed tight controls on money flowing in and out of the United States. "It would obviously make sense to ensure that Osama bin Laden shouldn't be allowed to open a PayPal account," Jackson said.

Then came Ebay's acquisition of PayPal, in 2002, for $1.5 billion.

On the day of the acquisition, July 8, PayPal announced it would stop processing payments for sports-betting sites. The company also chose not to retain any of the founders. The message was clear: We're breaking from the past. We're going to be a different company moving forward.

The next flashpoint came in December 2010: WikiLeaks.

After being pressured by U.S. officials, PayPal suspended the account of the activist group that released millions of classified documents—with information about, among other things, the wars in Afghanistan and Iraq, CIA surveillance, and the Democratic National Committee. Thom Bradford, a former engineer at PayPal's Berlin office, said: "I was naive enough when I worked there to believe that the Wikileaks thing was just a

bizarre, isolated incident that they did because they were being pressured by the government, and they didn't want to be subjected to heavy-handed regulation. But now it seems as though they take pleasure in it."

But it wasn't until the summer of 2020—the summer of Covid lockdowns, Black Lives Matter demonstrations, the burning cities, the presidential election—that the contours of the new controlling authority came into focus.

It was not a conspiracy. Democratic officials were not colluding with the CEOs of Fortune 500 companies and owners of legacy newspapers and cable networks and studio chiefs and university presidents. It's that, in a matter of a few months, maybe a year, they had all embraced the same leftwing identitarianism, the same slogans, the same hashtags and pronouns, the same statistics, the same talking points, and they reinforced each other, and they made it exceedingly difficult for anyone to challenge the new orthodoxy.

The social-credit system, which was not a formal system or network but a loosely fitted together constellation of influential brands and organizations and institutions, punished those who did not hew to the unofficial party line and rewarded those who clapped the loudest. It bore a familial resemblance to the much more established social-credit system in China, which was an extension of the country's financial credit system and was meant to assess businesses' and individuals' "trustworthiness," which sounded reasonable when you were talking about facts versus misinformation, but less so when it came to opinions—politics.

Referring to the Chinese Communist Party, Kara Frederick, who previously led Facebook's Global Counterterrorism Analysis Program, said: "I started

noticing discomfiting similarities in what the consolidated centralized power of the CCP was visiting on its internal population, and what this combination and symbiosis of corporate power in the form of big tech and the federal government is, frankly, seeking to turn on specific American citizens."

Frederick recalled, for example, Manhattan District Attorney Cy Vance, Jr., applauding the new PayPal-ADL partnership. Or Jen Psaki, President Joe Biden's then-press secretary, announcing, on July 15, 2021, that the White House had identified "problematic" Facebook posts that spread "misinformation" and that it expected the social-media site to take down.

If you protested the status quo—if you were a trucker in Ottawa in early 2022 angry about the country's vaccine mandates, if you were against defunding the police, if you were against critical race theory seeping into your six-year-old's classroom, if you questioned the wisdom of exposing children to drag shows, if you believed in everyone's right to argue openly about all of the above—you were, oddly enough, in a suspect class. You were, increasingly, at risk of being deplatformed, debanked.

"What happens is these companies create the machinery of account deplatforming, suspensions, moderation, and it starts being used for legitimate reasons, but then what happens is it gets hijacked for political reasons," David Sacks told me.

This was certainly Eric Finman's experience.

He got that Freedom Phone's brand didn't jibe with the new corporate consensus. Its laissez-faire approach, its embrace of "freedom"—that was out of step with the canceling ethic, the pro-equity-pro-lockdown-pro-

Ukraine politics. But still. He called himself a “moderate Democrat.” He was against telling people what they could say or read or download. “If you ban the Chapo Trap House people on the left, they end up moving into their own group chats,” he said. “If you ban the Q people on the right, they end up moving into *their* group chats. Both go unchallenged. We need to be able to talk to each other and go up against each other.”

Matt Kibbe, the president of Free the People, which produces documentaries and podcasts that promote libertarianism, added: “The way these social-credit systems work, they don’t happen overnight—they happen drip by drip.”

The revolt against the machine has started, but it’s mostly a bottom-up, grass-roots affair.

After he was shut down, Toby Young, in London, called PayPal’s Customer Support to appeal his suspension. When his appeal was denied, he wrote a letter to British officials calling on them to adopt legislation preventing banks and payment platforms from discriminating against users with opinions they disapprove of. The letter attracted the support of 42 members of the House of Commons and the House of Lords.

“Why is it that these large corporations based overseas think they can effectively intervene in public debates in the United Kingdom?” Young said.

Shortly after the letter was released, all three of Young's PayPal accounts were restored.

But the real revolt, if there is to be one, is likelier to come from within the technocracy—the people with the money and power to force a major overhaul of a system that seems designed to keep the great undulating mass of users distracted and divided.

A few days ago, I emailed Elon Musk.

"Are you worried that a company you helped found—PayPal—is now part of an emerging private social credit system?" I wrote. "And is buying Twitter, in part, an effort to fulfill the mission that PayPal seems to have abandoned?"

It seemed unlikely that he'd reply. He was busy reimagining his new social-media company, shooting rockets into space, upending the electric-vehicle industry, trolling AOC.

But one hour later, at 6:55 p.m., eastern time, an email popped up in my inbox. From the new owner of Twitter.

It was just one word:

"Definitely!"

Rupa Subramanya's last piece for us was about Canada's assisted-suicide program. Read it here. And support our reporting by becoming a subscriber today:

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Sheluyang Peng Writes Society & Standpoint 6 hr ago · *edited 5 hr ago*

The comparison to the Chinese Communist Party's social credit system is very apt. My parents left China in search of religious freedom here in America. When I was little, I learned about how America was a bastion of free speech and free expression. I admired the fact that people were allowed to speak without fear of persecution.

Over the past few years, I've seen more and more censorship and companies like Paypal promoting authoritarian policies. It's everywhere these days: in academia, in the media, and in tech. I'm glad to see people like Bari fight back on alternative platforms like Substack. I write a Substack myself where I discuss how the new "woke" culture is harming our nation. Cancel culture is the antithesis of the civil liberties many Americans take for granted.

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54 replies

jemarr 6 hr ago

I eagerly await Elon's creation of a Pay Pal rival. I'll sign on faster than I did Twitter after his purchase of that warped monstrosity. Who's to tell me I can't give money to Canadian truckers if I damn well feel like it?

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